

Mexico's aerospace industry gets northern exposure

By Marla Dickerson and Carlos Martinez

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QUERÉTARO, Mexico — Building jet airplanes has long been the domain of advanced industrial nations. Now Mexico is trying to join the club by hitching a ride with a Canadian aerospace company.

Montreal-based Bombardier Aerospace broke ground this month in this central Mexican city on a massive complex to build wiring harnesses, fuselages and flight controls. The company, best known for its Learjets and other executive jets, employs 450 here and plans to have 1,200 by the end of next year.

Since it began production in temporary quarters in May 2006, Bombardier has hit the throttle. Its Mexican employees are cranking out subassemblies such as tail rudders two years earlier than the company had planned.

Mexican officials project that Bombardier will start assembling complete planes here within five years. Company officials won't make any promises. But it's clearly on their radar screen.

"There is no doubt in my mind that if we stay focused the way we are now . . . that (Mexico) can do the same as we do in Canada or Europe or the United States," said Real Gervais, director general of Bombardier's Mexican operations.

If it comes to pass, Mexico would be one of the few developing nations doing final assembly of sophisticated planes.

"This is the great objective that we all have, not only Querétaro, but the nation," said Renato Lopez Otamendi, secretary of sustainable development for the state of Querétaro.

Mexico's aerospace industry comprises about 125 companies and 16,500 workers. Once little more than a low-cost job shop for U.S. aerospace suppliers, Mexico is handling increasingly sophisticated tasks.

A General Electric subsidiary employs 500 aerospace research and development workers in Querétaro. MD Helicopters Inc. is manufacturing fuselages in Monterrey. Some large aircraft maintenance operations are setting up shop. U.S. imports of Mexican aerospace products totaled nearly \$178 million last year, up 60 percent from 2000. Total aerospace exports topped \$500 million in 2006, according to Mexico's Economy Secretariat.

Government officials want to keep Mexico moving up the supply chain. Although there is no talk of the government launching its own national program, officials say they want more high-value tasks from big companies, including structure and design work and final assembly.

Mexico is fast losing basic industries such as textiles to nations with cheaper labor. So, Mexico is looking to capitalize on its success at building products such as automobiles.

Aerospace carries a special cache. Countries that can build something as complex as a jetliner are viewed as having their industrial act together.

"It's a big deal," said consultant John Walsh of Walsh Aviation. "But there are a lot of hurdles to getting into the big leagues."

Developing countries produced less than 10 percent of the aerospace parts imported by the U.S. last year.

The industry is capital-intensive and highly regulated. The world's plane builders produced fewer than 3,600 turbine-powered aircraft last year, so there's little incentive for new competitors to jump in. Existing players don't need cheap labor; they need highly skilled factory hands.

Still, developing nations see opportunities. Despite previous failed efforts, China plans to develop large cargo and passenger aircraft to serve its aviation market. Brazil's Embraer has made a global splash with its small regional jets.

Embraer's biggest competitor is Bombardier. Its main products are business jets, which are experiencing soaring demand, and regional jets, a segment that is struggling. The company has laid off thousands of workers in recent years and is under pressure to reduce costs. That was a major factor in its decision to put a facility in Mexico.

Bombardier's interest in Mexico began with former President Vicente Fox, who persuaded the company to consider including his nation in its global manufacturing network. After a lengthy search, Bombardier settled on Querétaro, an industrial hub of 1.6 million people 140 miles northwest of Mexico City. It is home to a number of research centers and multinationals attracted by its solid universities and educated work force.

The international airport, which opened in 2004, was a particular attraction for Bombardier. That's where it is building its new complex, part of plans to invest \$200 million in Mexico by 2016.

The temporary plant is running at full capacity. Workers are producing wiring harnesses for CRJ 700 and CRJ 900 regional jets and for Challenger 300 and Global Express executive jets. Plans call for Mexico to become the main producer of the electrical guts for all Bombardier planes.

Mexican employees have proven capable of more complex tasks. Workers build the center fuselages for Challenger 850 executive jets and flight controls for the Q400 turboprop regional aircraft. When the new facilities open, they'll assemble aft fuselages for Global Express business jets.

The company has attracted a slew of qualified workers.

Plant manager Gervais said their enthusiasm is first-rate, but their productivity and leadership abilities aren't — not yet, anyway.

The learning curve to build planes is steep. He said it will take years for his team to acquire the needed experience. Mexico must seal a safety agreement with the U.S. so that aircraft made here would pass muster with U.S. aviation authorities, he said.

"We need to build the base of the aerospace industry (in Mexico) before we start designing planes and manufacturing complete planes," Gervais said.

Querétaro officials are pushing to make it happen. The state is building a \$50 million aeronautic training center, and hosted 20 potential suppliers to urge them to set up shop.

Consultant Walsh is skeptical. He said Bombardier has a history of shifting work around as a bargaining tool in labor talks with unions in Canada.

Workers such as Maribel Rojas Morales hope he's wrong.

"We're improving every day," said the 24-year-old wire harness worker. "We can do it."

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